

The first of these is the fact that the  
theology of the Church is not a static  
entity, but a living and growing one.

It is a living and growing entity  
because it is based on the living and  
growing Word of God.

The second of these is the fact that  
theology is not a purely academic  
discipline, but a practical one.

It is a practical discipline because  
it is concerned with the life and  
conduct of the Church.

The third of these is the fact that  
theology is not a purely speculative  
discipline, but a practical one.

It is a practical discipline because  
it is concerned with the life and  
conduct of the Church.

The fourth of these is the fact that  
theology is not a purely speculative  
discipline, but a practical one.

It is a practical discipline because  
it is concerned with the life and  
conduct of the Church.

The fifth of these is the fact that  
theology is not a purely speculative  
discipline, but a practical one.

It is a practical discipline because  
it is concerned with the life and  
conduct of the Church.

The sixth of these is the fact that  
theology is not a purely speculative  
discipline, but a practical one.

It is a practical discipline because  
it is concerned with the life and  
conduct of the Church.

## **BRIEF IN SUPPORT OF THE PETITION FOR WRIT OF CERTIORARI.**

### **Opinions of the Courts Below.**

The opinion of the District Court is reported in 56 F. Supp. at page 145, as well as on pages 46 to 52, inclusive, of the Record.

The opinion of the Court of Appeals for the Second Circuit is reported in 148 F. (2d) at page 612, and will also be found beginning at page 76 of the Record.

### **Jurisdiction.**

The grounds for jurisdiction are:

1. The date of the judgment to be reviewed is April 6, 1945.

2. The judgment was rendered in a civil action brought under the patent statutes to determine the issues of validity and infringement of Letters Patent of invention.

3. The statute under which jurisdiction is invoked is 240(a) of the Judicial Code, 28 U. S. C. A. 347, as amended by the Act of February 13, 1925.

4. Cases believed to sustain the jurisdiction are:

*Carbice v. American Patents Development*, 283  
U. S. 27;

*Leitch Mfg. Co. v. Barber Co.*, 302 U. S. 458;

*Morton Salt Co. v. G. S. Suppiger*, 314 U. S. 488;

*B. B. Chemical v. Ellis*, 314 U. S. 495;

*Mercoid v. Mid-Continent Investment Co.*, 320  
U. S. 661.

### **Statement.**

The facts are sufficiently stated in the petition.

### **Specification of Errors.**

The errors which petitioner will urge, if the petition for writ of certiorari is granted, are that the Circuit Court of Appeals for the Second Circuit erred:

1. In affirming the judgment of the District Court which dismissed the complaint in this cause.

2. In extending the doctrine of "improper use" of patents to include within its application the present case where the patent owner is not even charged with improperly using its patents in the sense theretofore judicially condemned.

3. In holding, in effect, that because plaintiff used its patents merely to aid it in its business in the sale of unpatented commodities, plaintiff is precluded, by the improper use doctrine, from enforcing its patents against an infringer thereof.

4. In holding that the Petitioner under the facts of this case is using its patents as the effective means of restraining competition in Petitioner's sale of an unpatented article.

5. In failing to reverse the judgment of the District Court.

### **Summary of Argument.**

The points of argument follow the reasons relied upon for the grant of a writ of certiorari and are stated on pages 10 and 11 of the petition, as well as in the index hereto. For the sake of brevity they are omitted at this point.

### POINT I.

The Court of Appeals has extended the "improper use" doctrine far beyond the limits expressed or implied by the decisions of this Court which created and applied it. Therefore, there is here presented an important question of federal law which has not been but should be passed upon by this Court.

It is neither the desire nor the intention to here question the propriety of the "improper use" doctrine as announced by this Court in the *Carbice* case, and as applied by this Court in the cases subsequent thereto. Indeed, counsel for Petitioner in the present case was counsel for Carbice Corporation, the successful Petitioner before the Court in that case; and counsel for the present Respondent made much of that fact in his brief and oral argument before the Second Circuit Court of Appeals. Consequently the wisdom and propriety of the "improper use" doctrine, as well as its application to every instance where a patent owner uses his patent as the effective means to create or maintain a monopoly in an unpatented article of commerce or to restrain competition in the sale thereof, is as unreservedly applauded and supported by counsel for Petitioner in the present case as it was in the *Carbice* case. However, no facts in any way similar to those upon which the *Carbice* doctrine was based, or to which that doctrine as uniformly construed by this Court could be applied, are present in this case.

Petitioner's loan agreement constitutes the only and the entire evidence upon which Respondent's defense of "improper use" is based and upon which the decisions by the lower Courts were predicated. An examination of the loan agreement discloses that it expressly recites (R. 39):

"But nothing herein shall be deemed to restrict the User in the purchase of continuous manifolding form

material from others than Owner, or to limit the User in the purchase, lease or license of feed aligning devices of others excepting that no license is to be implied hereby under the patents referred to in Schedule One as to such products of others."

Thus it will be seen that rather than affording Petitioner, as a patent owner, an opportunity to use its patents as the effective means of creating or maintaining a monopoly in or of restraining competition with the sale of its unpatented business forms, *the loan agreement expressly and contractually excludes any such possibility.*

It was because of this fact that Respondent could not and therefore did not charge in its defense that Petitioner had used its patents in that manner—and that is the only manner of use of patents which this Court has condemned as improper under the doctrine. All that Respondent alleged in its answer as constituting Petitioner's "improper use" of its patents is that Petitioner used its patents *to aid its business* in unpatented forms.

It thus is obvious that the "improper use" doctrine as heretofore uniformly defined and applied by this Court, is not applicable to the facts of the present case, with the result that the single and extremely important question here presented is whether or not the doctrine should be extended so as to preclude a patent owner from enforcing his patents merely because he innocuously has used his patents *to aid his business* in the sale of unpatented commodities.

The salutary and important value of any doctrinal law is seriously jeopardized—if not vitiated—by unrealistic extension thereof to facts and situations for which it was neither designed nor intended to be applied. The harmful effects of such unwarranted extension and application may well—and in this case actually do—surpass the beneficial

effects of the doctrine properly construed and properly applied.

Therefore, and because the question here presented is one of first impression in this Court, and is of extremely important and far-reaching effect upon all industry built upon patented inventions—which includes virtually all the principal industries of the nation—it is submitted that judicial extension of the judicially created doctrinal law here involved should not be permitted unless this Court has carefully considered and determined the propriety thereof.

As an additional consideration under this point, it would seem to be clear that the doctrine of “improper use” is not applicable to a situation such as is here presented where the patent owner has not placed anyone under any compulsion or any restraint which in any way is obnoxious to public policy.

The nature of the Petitioner’s business is such that the use of its patented feeding device is a mere incident thereof. Petitioner is not engaged primarily in the manufacture and distribution of its patented device, but on the contrary its business is that of designing business systems for record-keeping upon a tailormade basis to fit the requirements of individual customers (R. 6, 18).

The salesman approaches the customer, not for the purpose of interesting him in the installation of Petitioner’s patented feeding device, but for the purpose of devising a business system of record-keeping that will furnish accurate and economical records for the customer at a savings in the cost of producing a completed record. A study of the customer’s business, its record requirements, its office methods, and the business machines available for use is undertaken by the agent, and record forms are designed for use based upon this information. Thus the salesman’s primary concern is to convince the customer that the business system

proposed by Petitioner is desirable. If the salesman fails in this, he goes no further; but if the customer can then be convinced that the business system will meet his particular record-keeping requirements in a satisfactory manner, the forms which have been designed are printed by the Petitioner with marginal punched holes, and the Petitioner's feeding device is made available for feeding those forms as long as the customer desires and requires the use of Petitioner's forms.

The feeding device, therefore, is but an incident in the sale and use of the Petitioner's business systems.

In order to carry out this sound business purpose the license agreement in question is merely an announcement by Petitioner, in advance, of the terms upon which it will do business with its customers. This license agreement leaves it to the sole business judgment and discretion of the customer whether he desires to accept those terms and, if he accepts them, as to how long he desires to use Petitioner's products.

The so-called restriction complained of by Respondent is not a restriction obnoxious to any rule of public policy, because by the language of the contract the customer is free at any time to buy continuous forms from any competitor which, by commercial practice and desirability from the standpoint of physical results in the record-making, must entail the use of the feeding device of the competitor who manufactures and furnishes the forms.

The finding by the Circuit Court of Appeals that competitors could make continuous forms marginally punched for use over the Petitioner's device is inconclusive and erroneous, for the reason that no matter what the competitors *could* do, the fact remains that in this industry they do not make forms for use over other persons' pinfeeding devices (R. 15, 17 and 36).

The customer having a clear option, therefore, which option determines the length of time during which he has real and substantial need for the Petitioner's feeding device, constitutes the primary point of distinction between the facts of this case and the facts of prior adjudications of this Court upon the unrelated subject of tying clauses in patent licenses. In every case heretofore considered there has been the element of *compulsion* upon the customer to use the unpatented supply with the patented device as a condition of its continued use, which this Court has declared obnoxious on grounds of public policy. In the case at bar no such obnoxious compulsion exists for the reasons pointed out above.

It has long been the law that a police regulation, or any other expression of public policy in the public interest, to be valid, must not be unreasonable; that is, it must be both necessary and appropriate for the accomplishment of the legitimate objects of the public welfare expressed by the rule of public policy. As this Court observed in *Federal Trade Commission v. Gratz*, 253 U. S. 421 at 427:

"The words 'unfair method of competition' are not defined by the statute, and their exact meaning is in dispute. \* \* \* They are clearly inapplicable to practices never heretofore regarded as opposed to good morals because characterized by deception, bad faith, fraud, or oppression, or as against public policy because of their dangerous tendency unduly to hinder competition or create monopoly. The act certainly was not intended to fetter free and fair competition as commonly understood and practiced by honorable opponents in trade."

And again, in *United States v. Colgate & Co.*, 250 U. S. 300 at 307, this Court said:

"In the absence of any purpose to create or maintain a monopoly, the act does not restrict the long recog-



nized right of trader or manufacturer engaged in an entirely private business, freely to exercise his own independent discretion as to parties with whom he will deal. And, of course, he may announce in advance the circumstances under which he will refuse to sell. \* \* \* 'A retail dealer has the unquestioned right to stop dealing with a wholesaler for reasons sufficient to himself, and may do so because he thinks such dealer is acting unfairly in trying to undermine his trade,' "

Clearly it has long been the established policy of this Court that combinations in restraint of trade, in violation of the Anti-Trust Laws, have been held illegal only when the combination undertook by agreement, express or implied, or through concert of action, to prevent others from freely exercising their business judgment and discretion as to the persons with whom and the terms upon which they would deal.

These principles are applicable here, and before the doctrine of "improper use" of patents as expressed in the prior decisions of this Court can be applied to the facts of this case, it must be established that this contract restrains trade in a manner hurtful or harmful to the public and, therefore, unlawful. The mere fact that the patents are used as an inducement to purchase or as an incentive to use Petitioner's continuous forms is not a showing sufficient to make the resulting restriction unlawful as against public policy. It restrains trade no more and to no greater extent than in the *Gratz* case, where a seller of cotton bagging and steel ties for baling cotton refused to sell the steel ties without the cotton bagging being included in the same order.

True, no patents were involved in that case. But the mere fact that patents are involved here does not change the rule unless it can be shown that the resultant restraint

of trade is an unlawful restraint and therefore one which has a direct and necessary adverse effect upon the public welfare.

## POINT II.

**The question presented is of great and far-reaching importance to the public as well as to all industry and commerce which, in any respect, is based upon or in any way affected by the ownership of patent rights.**

Fundamentally, the decision of the Court of Appeals in this case, in practical effect, deprives all manufacturers of their property rights in patents by decreeing the unenforceability thereof if they use their patents in any way *to aid them in their business in the sale of an unpatented article*. Thus, if a patent owner, proud of his ownership of a patent for an ingenious and universally known product, should so much as advertise his manufacture and sale of an *unpatented* product and simultaneously acquaint the purchasing public with the fact that he is the inventor or owner of the patent for the patented product for the purpose of giving assurance of his ability to responsibly produce the unpatented commodity, he would be precluded from enforcing his patent against a wilful and deliberate infringer merely because he had used his patent *to aid his business in the sale of his unpatented product*.

Another, and perhaps more apposite illustration would be the facts of the present case. Petitioner loans its patented feeding device to its customers for the unpatented business forms which Petitioner sells. The mere loan of the patented device carries with it, by implication of law, a license to the loanee, under Petitioner's patents for the device, to use the device for its intended purpose. The loan, in the first instance, is conditioned upon the giving of a

token order for \$50.00 of the business forms for which the device is needed and without which such forms would be of no use for their intended purpose. The tenure of the loan is thereafter determined by the customer's option to continue to use the forms of Petitioner's manufacture. The customer is free to use cut forms, etc., over the device during the continuance of the license. Thus, in every material respect the situation is the same as that approved by this Court in *Federal Trade Commission v. Sinclair Refining Co.*, 261 U. S. 463. It is believed to be beyond question, as was held by this Court in that case, that, without breaking any law or violating any equitable principle, one owning no patents could loan a mechanical device to another on the condition that the tenure of the loan would be co-extensive with the acquisition by the loanee from the loanor of material to be dispensed by or used in connection with the mechanical device loaned. If this may be done with entire propriety by one who owns no patent, surely the mere ownership of a patent for the mechanical device does not create an illegality or an equitable impropriety, where, as in the case here, there is free competition and the loanee is under no compulsion obnoxious to any rule of public policy.

Nevertheless, Respondent, by its defense, asserted, and the Courts below held, that Petitioner has been guilty of "improper use" of its patents for the feeding device—not because Petitioner has sought to use its patents as the effective means of creating or maintaining a monopoly in or restraining competition with its sale of unpatented business forms—but merely because, in giving a license under its patents for the feeding device when Petitioner loans the device to its customers for business forms, Petitioner is thereby aiding its business in the sale of the unpatented forms.

If Petitioner owned a dominating patent for airplanes, and as an inducement to acquire business forms from Petitioner it offered each prospective customer a royalty-free license under its said patent this, under the decision of the lower Courts in this case, would constitute a use of the airplane patent for the purpose of *aiding Petitioner in its business in the sale of unpatented business forms* and thereby render unenforceable the airplane patent against wilful infringement thereof. No such thing was ever contemplated by or intended to be the consequence of the "improper use" doctrine.

Of course, it is quite evident, on the simple facts of this case, that Petitioner *does* aid its business in its sale of unpatented forms by means of loaning its feeding device to its customers for such forms. Indeed, without the feeding device, the forms would be of no utility to those customers for their intended purpose. Thus, the crux of this case resolves itself into the simple statement that because Petitioner's feeding device required inventive ingenuity for its creation and patents were procured thereon, and because Petitioner loans its feeding devices, without charge, to its customers for forms, without which devices the forms would not have the intended utility, and because the tenure of the loan is dependent upon the customer's need for the device for use in connection with Petitioner's forms, and because the loan agreement expresses a license under Petitioner's patents, assuring to the customer uninterrupted use of the loaned device while in his possession in so far as any patents of Petitioner are concerned, Petitioner has been held to have so improperly used its patents as to preclude their enforcement against a wilful and deliberate infringing manufacture of feeding devices. It is believed to be self evident that no such result was intended by the "improper use" doctrine, or should be permitted under that doctrine.

It is made obvious by a mere reading of the loan agreement, or the material parts thereof (*ante*, pp. 5-6), that the feeding device is loaned for use only with Petitioner's business forms, just as in the *Sinclair Oil* case (261 U. S. 463) the gasoline dispensing equipment was provided for dispensing only Sinclair gasoline. But it is equally as obvious from the loan agreement that there is neither *compulsion* upon the customer to acquire business forms only from Petitioner, nor *prohibition* upon the customer preventing the acquisition of business forms, or feeding devices, or both, from whomsoever the customer may desire. This is not by strained interpretation or implication, but by direct, simple, contractual expression. This fact, alone, not only takes this case completely outside of the "improper use" doctrine, as consistently defined by this Court, but also takes it completely outside of any proper or reasonable extension of the doctrine.

It is generally recognized that the principal industries, if not substantially all industries in the United States, are built upon research and invention which properly has been protected by patent rights. If the "improper use" doctrine is extended, as the Courts below in the present case have done, it will have a far greater devastating and injurious effect upon industry and the American patent system than would any of the recent radical proposals for legislation designed to have that result. All such proposals have been most emphatically, and without exception, rejected by the public at large, the industry, the Bar, and the Courts. It is therefore believed that so important is the question here presented that the present disposition thereof by the lower Courts should not be allowed to stand as a precedent without the consideration by and approval of this Court.

**Conclusion.**

*Wherefore Petitioner earnestly prays that the petition for writ of certiorari be granted, the case be reviewed, and the judgment of the Court of Appeals for the Second Circuit be reversed and the cause remanded to the United States District Court for the Western District of New York with instructions to reinstate the complaint in this cause to thereby afford Petitioner a trial on the merits of its charge of patent infringement.*

Respectfully submitted,

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